GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:6084
ANSWERED ON:05.05.2000
KUMARAMANGLAM BIRLA REPORT
RAMDAS ATHAWALE

Will the Minister of FINANCE be pleased to state:

(a) whether SEBI has received the Kumaramanglam Birla Committee`s report on corporate governance;

(b) if so, the details thereof;

(c) the main recommendations and suggestions of the said Committee;

(a) the details regarding the suggestions and recommendations accepted by SEBI for implementation and those which have been turned down; and

(b) the latest position in regard to the implementation of these recommendations?

Answer

MINISTER OF STATE IN THE MENISTRY OF FINANCE

(SHRI BALASAHEB VIKHE PATIL)

a) & (b) Yes, Sir. The report of the Committee was considered and adopted by the SEBI Board at its meeting on January 25, 2000.

(c) & (d) The recommendations in the report have been grouped into two categories, namely, mandatory and non-mandatory recommendations. The mandatory recommendations are to be implemented through amendments to the listing agreements of stock exchanges. These include, inter-alia, the composition of the board of directors with an optimum mix of executive and non-executive independent directors; board procedure, compliance report on corporate governance, constitution of an audit committee to oversee the company`s financial reporting and disclosures and adequacy of internal control.

Other recommendations, such as setting up of a remuneration committee of the board of directors and option of postal ballot in some matters, have been classified as non-mandatory recommendations, with which compliance is voluntary.

On February 4, 2000, SEBI issued directions to stock exchanges to amend their listing agreements to implement the mandatory recommendations of the Committee.

(e) The amendments to the listing agreement are to be implemented in a phased manner by: • Companies seeking listing for the first time, at the time of listing; • Group `A` companies in the BSE or in S&P CNX Nifty index, as on January 1, 2000, latest by March 31 2001; • Presently listed companies with paid up share capital of Rs. 10 crore and above, or networth of Rs. 25 crore or more, latest by March 31, 2002;Listed companies with paid-up share capital of Rs. 3 crore and above, latest by March 31, 2003.